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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**ID #12676
RESOLUTION E-4615
February 5, 2014**

R E S O L U T I O N

Resolution E-4615. Southern California Edison Company requests approval of the 2013 Power Displacement Agreement with the United States Department of Defense at March Air Reserve Base.

PROPOSED OUTCOME: Approves the 2013 Power Displacement Agreement (PDA) between Southern California Edison (SCE) and the United States Department of Defense at March Air Reserve Base (March). The 2013 PDA replaces the 2004 PDA between SCE and March.

SAFETY CONSIDERATIONS: The 2013 PDA approved by this Resolution will not fundamentally alter the electric service that SCE currently provides to March under the 2004 PDA. There are no incremental safety implications associated with approval of the 2013 PDA beyond the 2004 PDA.

ESTIMATED COST: None.

By Advice Letter 2852-E, filed on February 15, 2013.

SUMMARY

This Resolution approves the 2013 Power Displacement Agreement (PDA) between Southern California Edison (SCE) and the United States Department of Defense at March Air Reserve Base (March), which was executed on December 21, 2012. The 2013 PDA replaces the last PDA signed in 2004. The PDAs allow March to receive low cost federal preference power from the Parker-Davis Federal Project through SCE's grid. SCE credits March's electric bills for the power received.

The 2013 PDA between SCE and March is reasonable and is approved. The 2013 PDA allows March to receive low cost federal power through SCE without additional costs to other SCE ratepayers. The 2013 PDA requires March to pay additional charges to ensure other SCE ratepayers do not subsidize March. The 2013 PDA allows low cost federal preference power from the Parker-Davis Federal Project to continue to flow to California.

BACKGROUND

SCE filed AL 2852-E to request approval of its 2013 PDA with March.

On February 15, 2013, SCE filed Advice Letter (AL) 2852-E to request approval of a 2013 Power Displacement Agreement (PDA) with March. The 2013 PDA, executed on December 21, 2012, is to be effective from January 1, 2013 through December 31, 2022.¹ The PDA will allow low cost federal preference power from the Parker-Davis federal Project to continue flowing into California.

March receives an annual entitlement of low cost federal preference power from the Parker-Davis Federal Project located on the Colorado River. The PDA allows SCE to receive this low cost federal preference power into its grid through the Western Area Power Administration (Western), while crediting March on its electric bills for the power received.

SCE has entered into two previous long-term agreements with March.

The first agreement between SCE and March was established in 1993. The entitlement of the preference power was originally assigned to George and

1. AL 2852-E was filed according to the provisions of General Rule 8.2.3 of General Order 96-B, which allows a utility other than a telecommunications corporation to provide service (other than resale service) to a government agency for free, or at reduced rates and charges, or under terms and conditions of service deviating from its tariffs then in effect. According to this rule, the utility may begin such service without prior Commission approval, but the utility shall promptly submit an advice letter to notify the Commission of the utility's provision of such service and of the rates, charges, terms and conditions under which the service is provided.

Norton Air Force bases. But the entitlement was transferred to March when George and Norton Air Force bases closed in 1993. The 1993 agreement was then replaced by a Power Displacement Agreement signed in 2004 (2004 PDA). The 2004 PDA was filed by SCE in Advice Letter 1777-E and was made effective on March 13, 2004 by Energy Division staff disposition.² The 2013 PDA replaces the 2004 PDA.

Under the 2004 PDA, March was credited for Excess Delivered Energy at a price reflecting an average of wholesale price indices representing what SCE would have paid for energy in a day-ahead market.³ March paid a Cost Responsibility Surcharge (CRS) for all Additional Energy, which is renewable energy supplied by Western, in order to keep SCE's bundled service customers indifferent to a smaller portion of March's load being served on bundled service. March paid full delivery charges on all of its metered kilowatt demand and kilowatt-hour energy usage. March also paid charges for SCE being its Scheduling Coordinator (SC) at the California Independent System Operator (CAISO). Under the terms of the 2004 PDA, the market price paid for Excess Delivered Energy was changed in 2009 to the SCE Locational Marginal Price (LMP) at the SCE Default Load Aggregation Point (DLAP) in the CAISO day-ahead market, which aligned with the CAISO Market Redesign and Technology Upgrade structure.

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2. The current provisions of G.O. 96-B which require CPUC approval for service to a government agency under terms and conditions deviating from a utility's tariffs, took effect in 2007. AL 1777-E was filed in 2004 and reviewed according to G.O. 96-A which did not require CPUC approval for such service.
 3. Excess Delivered Energy is the amount of Delivered Energy remaining after offsetting the Delivered Energy against the kilowatt-hours recorded on March's service account. Delivered Energy includes energy delivered from the Parker-Davis entitlement and Additional Energy. Additional Energy is renewable energy purchased by March to meet Federal renewable energy purchase requirements.

NOTICE

Notice of AL 2852-E was made by publication in the Commission's Daily Calendar. Southern California Edison states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

AL 2852-E was not protested.

DISCUSSION

The 2013 PDA will not result in increased costs to SCE's ratepayers.

Under the 2013 PDA, SCE compares energy delivered through Western for March (Delivered Energy) with energy used by March. SCE credits March by the amount of Delivered Energy against its metered usage. If Delivered Energy exceeds March's metered usage, SCE credits March at the LMP. If March's metered usage exceeds Delivered Energy, March will be charged for this Excess Metered Energy at the full generation rate under the Otherwise Applicable Tariff (OAT), which is Schedule TOU-8 for the majority of March's usage.

March pays full delivery charges for all metered energy under the OAT with the exception that the Department of Water Resources (DWR) Bond Charge is applied only to Excess Metered Energy because this charge is only applicable to SCE provided energy. As stated in AL 2852-E, the Parker-Davis entitlement predated the California Energy Crisis which led to the development of departing load charges. Since the load served by this entitlement was not included in SCE's procurement plans and was not served by energy purchased by DWR, the load is not departing load and not subject to the DWR Bond Charge.

March pays a CRS for Additional Energy included in the Delivered Energy to keep SCE's bundled customers indifferent to a portion of March's load that is served on bundled service.

The 2013 PDA also limits the total amount of energy delivered by Western to the Parker-Davis Entitlement plus an amount of Additional Energy (additional

renewable power) that may not exceed the previous 12 month average of metered energy.

March pays additional charges to ensure that other SCE ratepayers are indifferent.

The 2014 PDA requires March to pay additional charges to ensure that other SCE ratepayers are indifferent to energy load supplied by Western and credited to March. These charges include Renewables Portfolio Standard (RPS) Service Charge, Resource Adequacy (RA) Service Charge, and Ancillary Services and CAISO Load-Related Charges.

Because the energy supplied by Western has a lower percentage of renewable power than SCE's RPS requirement, SCE must procure a proportionately higher percentage of RPS-compliant energy. To ensure that SCE ratepayers do not bear increased costs as a result of the PDA, March needs to pay an additional energy charge that reflects the Commission-adopted renewable power premium and SCE's realized RPS percentage.

Also, the capacity provided by Western does not satisfy the RA requirements for March's load. Thus, SCE must also procure a proportionately higher percentage of RA capacity. To ensure that SCE ratepayers do not bear increased costs as a result of the PDA, March needs to pay an additional demand charge that reflects the Commission-adopted RA adder.

Additionally, the 2013 PDA includes additional charges that are based on the amount of March's load displaced by Western to pay for Ancillary Services and CAISO Load-Related costs.

SCE will not serve as Scheduling Coordinator for March.

Under the 2004 PDA, SCE was the Scheduling Coordinator (SC) for March at the CAISO. However, under the 2013 PDA, SCE will not serve as Scheduling Coordinator for March. Instead, Western will be March's Scheduling Coordinator, responsible for scheduling Parker Davis energy and Additional energy, if any, with the CAISO. Therefore, SCE will not incur costs as a SC for March and will not be paid by March for serving as a SC.

The 2013 PDA between SCE and March is reasonable and is approved.

The 2013 PDA between SCE and March is reasonable. It allows March to receive low cost federal power through SCE without additional costs to other SCE ratepayers. The 2013 PDA provides the benefit of Western power to March through a direct displacement of metered retail energy usage at March's service account. Given the credits and charges required in the PDA, the PDA ensures that SCE ratepayers do not subsidize March. Furthermore, the 2013 PDA allows low cost federal preference power to continue flowing into California.

COMMENTS

Public Utilities Code Section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Accordingly, the Draft Resolution was served on SCE, March, and Mr. Joseph Wiedman. It was also issued for public review and comment no later than 30 days prior to a vote of the CPUC.

FINDINGS AND CONCLUSIONS

1. Southern California Edison (SCE) filed Advice Letter 2852-E to request CPUC approval of its 2013 Power Displacement Agreement (PDA) with the U.S. Department of Defense at March Air Reserve Base (March).
2. The 2013 PDA allows March to receive low cost federal preference power from the Parker-Davis Federal Project through SCE's grid, while SCE credits nine of March's electric service accounts for the power received.
3. March and SCE have entered into three PDAs since 1993.
4. The 2013 PDA was executed on December 21, 2012 to replace a previous PDA between SCE and Edwards signed in 2004.
5. Under the 2013 PDA, SCE will no longer serve as Scheduling Coordinator for March.
6. On a monthly basis, any remaining metered consumption not credited from Western power is billed the full generation rate under the Otherwise Applicable Tariff (OAT).
7. Under the 2013 PDA March pays full delivery charges under the OAT with the exception of the Department of Water Resources (DWR) Bond Charge.
8. March pays SCE the DWR Bond Charge for Excess Metered Energy because this charge applies to energy provided by SCE.

9. On a monthly basis, any of March's Delivered Energy amount that exceeds usage will be credited by SCE at the Locational Marginal Price.
10. Under the 2013 PDA, March is required to pay additional charges, which include RPS Service Charge, RA Service Charge, and Ancillary Services and CAISO Load-Related Charges.
11. These additional charges, along with other criteria set by the 2013 PDA, ensure that other SCE ratepayers do not incur costs from the import of Western power for March.
12. The 2013 PDA will not increase any rates or costs to SCE's customers.
13. The 2013 PDA allows low cost federal preference power from the Parker-Davis Federal Project to continue flowing into California.
14. The 2013 PDA between SCE and March is reasonable and should be approved.

THEREFORE IT IS ORDERED THAT:

1. The request of Southern California Edison (SCE) to approve its 2013 Power Displacement Agreement (PDA) with the United States Department of Defense at March Air Reserve Base in Advice Letter (AL) 2852-E is approved.
2. SCE shall modify its tariffs as proposed in AL 2852-E, including replacing the existing 2004 PDA with the 2013 PDA to its List of Contracts and Deviations.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 5, 2014; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director